

Times-Picayune questions NFIP policy

All today's articles are from the Times-Picayune.

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Becky Mowbray finally got an interview with David Maurstad and he refuses to look at the evidence that insurers overbilled the National Flood Insurance Program;

The newspaper responds with an editorial and a column about his naiveté/complicity

The Louisiana legislature votes to abolish the rating commission and directly subsidize insurance companies

And, the Louisiana Senate acknowledges that private insurers will not cover some parishes.

Flood program defended: Leader says insurance worked like it should - Rebecca Mowbray, New Orleans Times-Picayune

... Maurstad said it's illogical that in 2005 the insurance companies would suddenly risk their reputations and decide to raid the federal treasury.

"I think the insurance industry has greater integrity than that scenario implies," he said. "It doesn't make sense to me that the leaders of these companies would consciously go out and defraud the federal government."

If anything, Maurstad said, he's disappointed that more companies didn't avail themselves of the expedited procedures. Only four companies -- State Farm, Allstate, Fidelity, and USAA -- submitted plans for how they would use the expedited procedures. Companies were required to let the flood program know when they were using the expedited procedures, and they reported that only about 17,000 claims -- about 10 percent -- were handled using the procedures, so there was little potential for abuse.

The sentence in the Sept. 21, 2005, memo that some see as a blank check for insurance companies to overbill the federal government -- "FEMA will not seek reimbursement from the company when a subsequent review identifies overpayments resulting from the company's proper use of FEMA depth data and a reasonable method of developing square foot value in concluding claims" -- was designed to try to make companies feel more comfortable about the expedited procedures.

EDITORIAL: The honor system - New Orleans Times-Picayune

...What's really bizarre, though, is the naiveté of Mr. Maurstad's arguments. He just can't believe that an insurer would take advantage of the federal government. "I think the insurance industry has greater integrity than that scenario implies," said Mr. Maurstad, a former independent insurance agent and the son of an adjuster. "It doesn't make sense to me that the leaders of these companies would consciously go out and defraud the federal government."

He should take a hard look at a whistleblower lawsuit filed in New Orleans by a group of former insurance adjusters. That suit alleges that eight companies grossly overbilled for flood damages and underbilled themselves for wind damage. It cites, among other examples, \$88,000 that State Farm paid a Metairie homeowner for flood damage in a house that did not flood.

That suggests serious abuses that deserve thorough investigation. FEMA should be more concerned about the possibility that the federal government was paying millions or even billions that should have been covered by private insurance.

Mr. Maurstad's impulse -- to speed help to victims and improve the flood insurance program's image -- wasn't wrong. But the streamlined process should have had enough safeguards to protect the taxpayer. Mr. Maurstad relied on the honor system, and that was a mistake.

Insurers too good to cheat? Get real - Jarvis DeBerry, New Orleans Times-Picayune

...Take David Maurstad. He's the director of the National Flood Insurance Program, a division of FEMA. It's his program a group of whistleblowers says was essentially raided by insurance companies following Hurricanes Katrina and Rita. The group says participating insurers routinely and illegally underreported damages caused by wind and exaggerated damage caused by flooding. Because the federal

government pays flood claims, such a scheme would save the insurance companies lots of money.

Regarding those accusations of fraud, Maurstad said last week, "I have not seen any evidence that that occurred."

... OK, so he has credentials, and he presents a good reason for doing things differently than they were done in 2003. But neither his qualifications nor his department's previous stumbles fully explain why he's certain the insurance companies did not try to rip off the government. This does: "I think the insurance industry has greater integrity than that scenario implies."

It was at that point that any local reader who had been willing to listen to Maurstad must have shut down. Integrity? Is he serious?

... South Louisianians are less than convinced of the integrity of the insurance industry. Everyone who lives here either has a horror story or knows somebody who has a horror story about the way a claim was handled, the amount of time it took to get the settlement check, the way a company then attempted to either dump the customer or charge exorbitant premiums for less coverage.

Many homeowners are still smarting over what they believe their insurers have done to them individually. Now the whistleblowers allege that, by overcharging the government, the same companies hurt us collectively. If David Maurstad wants to impress us, he'll take those allegations seriously.

Blanco, Donelon win big insurance victories: State policies get OK for private market - Ed Anderson, New Orleans Times-Picayune

Lawmakers granted Gov. Kathleen Blanco and Insurance Commissioner Jim Donelon major victories Thursday, approving long-sought legislation to abolish the nation's only state insurance regulatory panel and authorizing the state-run insurance company to unload some of its policies on the private market.

After adopting a series of amendments, the Senate voted 33-5 for House Bill 960 by Rep. Karen Carter, D-New Orleans, abolishing the seven-member Louisiana Insurance Rating Commission as of Jan. 1. The bill, which heads back to House for approval of Senate changes, turns

the functions of the commission over to Donelon or his successor.

...The House also approved 103-0 Senate Bill 153 by Sen. Reggie Dupre, D-Montegut, a Blanco initiative, to allow the state-run insurance agency, the Louisiana Citizens Property Insurance Corp., the authority to solicit bids at least once a year from private insurance companies interested in taking over bundles of at least 500 policies. The plan is aimed at reducing the number of policies written by the beleaguered insurer of last resort.

Panel backs grants to attract insurers - Ed Anderson, New Orleans Times-Picayune

A proposal to use \$100 million to lure more insurance companies to the state must have more legislative oversight, the Senate Finance Committee said Friday before it approved a bill authorizing the program.

Without objection, the panel approved House Bill 678 by Rep. Karen Carter, D-New Orleans, creating the \$100 million "Insure Louisiana Incentive Program," a key element of the legislative package pushed by Gov. Kathleen Blanco and Insurance Commissioner Jim Donelon.

...The bill authorizes Donelon's office to approve between \$2 million and \$10 million in grants to individual companies that apply for them. The companies must match the grants and have at least \$25 million in assets.

Bill drops 10% markup in certain parishes: Citizens has most of market in those areas - Ed Anderson, New Orleans Times-Picayune

The state-run insurance agency should not be required to charge a 10 percent markup on policies in parishes where it has a majority of the homeowners market, a Senate committee said Wednesday.

Without objection, the Committee on Insurance gave unanimous support to House Bill 962 by Rep. J.P. Morrell, D-New Orleans, sending it to the Senate floor for debate.

...To keep the state company from competing with private insurers, lawmakers years ago required that Citizens charge premiums 10 percent higher than the highest private insurers' rates in an area.

"If there is no competition, you are getting charged 10 percent above the highest rates and that's wrong," Morrell said.

He said the bill would apply to St. Bernard and Plaquemines parishes, and possibly a few in southwest Louisiana where the private market has retreated since Hurricanes Katrina and Rita, leaving Citizens to write the majority of the policies.